

SUBWAY BONDS A PUJO PROBLEM

Continued from First Page.

heads of these young men, with you not?" A. Yes, we were, and the committee was organized in the morning business.

Takes Up Their Youthfulness.

It was at this point that Mr. Undermyer, under the analysis of the youthfulness of the men who organized the Bankers' Trust Company.

"Let us see about these young men," said he. "The first of them who appears in this list is Mr. Stephen Barker. He was president of the Bank of Manhattan, wasn't he?"

"Yes," said Mr. Davison.

Q. He was not a very young man, was he? How old would you say he was ten years ago? A. About in a pretty young man.

Q. The next young man was Samuel C. Chase, president of the Suburban National Bank. He was about 30 years old, wasn't he? A. I do not know.

Q. Yes, he was. A. Yes.

Q. And you know his grandfather, A. No, I don't know him.

Q. He was one of the great bankers of New York, wasn't he? A. Yes.

Q. The next young man on the list was Edward C. Converse. He is a man well known in years, isn't he? A. Well, I was never acquainted with him.

Q. He is a man in the neighborhood of 70, isn't he? A. I think not.

Q. Well, 60 or 65? A. I should say 61 or 62.

Q. And he was connected with the Liberty National Bank in 1907? A. Yes, he was president.

Concedes Mr. Davison Is Young.

Q. The next man on the list is Mr. Davison. A. You would not inquire about his youthfulness, I trust.

"We will concede that you were a young man and still are," was Mr. Undermyer's reply, but he remarked that Mr. Davison at the time was vice-president of the Liberty National Bank.

Mr. Undermyer pointed out that the next name was John H. Roberts, president of the Commercial National Bank of Chicago, who had been controller of the currency. Mr. Davison thought that Grayville A. Garth was about 35 years old back in 1907.

"The next man on the list," said Mr. Undermyer, "is John H. Roberts. He was president of the Commercial National Bank, wasn't he?"

"I can see now," said the witness, "that we were hardly modest, we thought we were young men. Put it that way, I will qualify my former statement."

"You thought," added Mr. Undermyer, "that these were all young men who had to be protected from promoters in Wall Street."

"The question of age did not harm us at that time," said the witness.

"Well, we will find out how much protection you needed," said the counsel for the committee as he continued to inquire about the ages of the organizers of the Bankers' Trust Company.

Mr. Davison agreed that Mr. Lehigh at that time was about 45 years old, but a man of wide experience in banking affairs. Mr. Davison acknowledged that William Logan, who was one of the organizers, was in the Liberty National Bank and that Mr. A. J. B. Smith, president of the Liberty National Bank, was an organizer.

Mr. Perkins Next on List.

Q. The next young man on the list was George W. Perkins. He was a partner of J. P. Morgan, wasn't he? A. Yes.

Q. He was among the men who needed protection from promoters in the Street? A. Well, yes.

Q. And William H. Porter is the next name. He was president of the Chemical Bank, wasn't he? A. Yes.

Q. The next young man is Daniel G. Reid. He was a partner of J. P. Morgan, wasn't he? A. Yes.

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Henry P. Davison.



Q. Suppose you were a trustee of one road, do you think it would be proper to support and strengthening one of its competitors? A. Yes, I think it would be a wise thing to do.

Q. Is that the principle upon which you run your works? A. Yes, often.

Q. It doesn't that weaken the very interest you are supposed to protect? A. No, I think it would strengthen it.

Q. So you would regard it as proper for J. P. Morgan & Co. to attempt to represent all the railroads in the South? A. I would.

Q. And you think they would do justice to all? A. I do.

Q. You think it would be proper for them to say when one road should expand and another not? A. I don't think it is proper for anybody to do that.

Different in Industrials.

Q. Applying the same principles to industrials, is it your opinion that it would be consistent for J. P. Morgan & Co. to direct the policy and act as bankers for two or more competitors? A. I think it is different, but I can conceive of conditions under which it would be wise.

Mr. Undermyer started to question Mr. Davison in regard to the listing on the Stock Exchange of the new security of the Southern Railway after the voting trust had been created.

Davison replied that he was not familiar with the details of the Stock Exchange.

"We do not seem to be able to find any banker in New York who knows anything about the Stock Exchange," commented Mr. Undermyer.

The point that Mr. Undermyer wanted to make was what effect the striking of the old Southern shares from the exchange's list had upon the holdings of minority stockholders who had refused to assent to the voting trust plan. Mr. Davison could not answer this.

"But don't you realize," asked Mr. Undermyer, "that when J. P. Morgan & Co. applied to the Stock Exchange to list the new extended voting trust certificates and 174,000 shares of the old stock were stricken from the list it affected the marketability and loanability of the old stock?"

"I know the minority holders were paid if J. P. Morgan & Co. could protect them. Because that is the policy of the house," said Mr. Davison.

Knows It Back 55 Years.

Q. You know that was the case back in 1907, although you did not come into association with Morgan & Co. until 1909? A. Yes, I know that back in fifty-five years, which is ten years older than I am.

Q. You knew that back ten years before you were here, that they were in the house, why not go a little further? A. Well, that was the beginning of the house.

Q. In other words, you know that J. P. Morgan & Co. could do wrong? A. I know that J. P. Morgan & Co. could do no wrong if their endeavors and the circumstances permitted them to do as they wanted to do.

"Can you conceive," asked Mr. Undermyer, "of any situation or circumstance in which it would be proper or permissible to strike off the list of shares 174,000 because they had not consented to resign their rights as stockholders to the voting trustees on an extension of the voting trust?"

Mr. Davison did not answer this question directly.

Mr. Undermyer contended that the people who had bought these shares did so partly because of faith in the fact that they were listed and were marketable and good as collateral. Mr. Davison was inclined to doubt the effect upon the public of the fact that a stock is listed.

Means Better Sleep.

"There are a great many people," he said, "who sleep a good deal better when they own securities that are not listed."

Q. Then why do you list them? To deprive people of their sleep? A. It is of advantage to the security to be listed. They are not listed? A. Because these people do not see their stocks go down over night.

Q. They never see them go up? A. They never see them go up or down if they get their dividends.

Q. So the people who buy stocks do not care whether they rise in value or not? Is that your idea? A. I did not say that. I said they rest better.

Mr. Davison declared that he regarded the striking of these shares from the list as "most defensible."

"I do not know why the house did it," said he, "but if the house did it it is most defensible."

Switches to Metropolitan Club.

It was at this point that Mr. Undermyer asked Mr. Davison if he was a member of the Metropolitan Club in New York. Mr. Davison looked somewhat startled at this sudden jump from Wall Street to upper Fifth avenue, but replied that he was.

"Is Mr. Hine a member of that club?" "We do not control that too, do we?" asked the witness with a look of surprise. Then he added: "Yes, I think Mr. Hine is a member."

"I would not be surprised if you did control it," was Mr. Undermyer's reply to Mr. Davison's expression of surprise.

"I would not be either if two of us belonged to it," added the witness.

Q. Were you in the habit of having meetings at 4 o'clock on Thursday afternoon at the Metropolitan Club with Mr. Hine of the First National Bank, Mr. Strong of the Bankers Trust Company and Mr. Salih of the Guaranty Trust Company? A. Supposing that were true, how would that bear on this inquiry?

Q. Will you not answer my question? A. Well, I never attended any such meeting.

Q. Is it not a fact that on Thursday afternoon at 4 o'clock there met at the Metropolitan Club weekly for some time the representatives of a half dozen or more banks in New York and there discussed matters of business? A. The fact have been such meetings in the world so far as I know. I never attended one and there is no foundation for the question.

Mr. Undermyer replied that the committee has received information to the effect that such meetings had been held.

Mr. Undermyer then asked the witness

Funds of City and Company.

Q. I do not want to go into the details of that complicated transaction. I only want to know the single fact as to how much the city of New York puts back of your \$170,000,000 of bonds? A. The contract provides as it reads that the city and the company shall put in \$58,000,000 each part pass for the construction of the subway.

Q. Behind your bonds? A. What do you mean by "behind the bonds?"

Q. I mean as a subsequent lien only and the interest to be paid only after the interest and sinking fund are paid on the bonds that you are to issue. No, I am not sure that there is no other house in the country that can do that.

Q. You cannot say so? A. No.

Q. Kuhn, Loeb & Co. are financing the other venture. Now, leaving them out, are there any other house in the country that could finance those bonds? A. Can I not answer that question by saying that we are a very large house?

Q. I think you might answer. A. I do not want to sit here and say there are no other banking houses.

Q. You know that is so, do you not? A. No, I do not know that is so by any manner of means.

Q. Is not your ability to finance a project of that kind due in some measure to your being able to place those bonds with banks and financial institutions? A. It is due largely to our ability.

Old Issues Were Smaller.

Mr. Davison acknowledged that J. P. Morgan & Co. up to five years ago had made more issues of securities alone than now, but they were smaller in character. Mr. Undermyer handed Mr. Davison a list of assets amounting to \$10,900,000 held by the Bank of Commerce, and asked him to check off any securities on the list which were not held only a few years. Mr. Davison said that he was unable to do this.

Q. You recognize, do you not, that there is a great advantage in having an entire and an interest in one of those banks and a representation on the board? A. There is absolutely no advantage at all.

Q. Do you think it a disadvantage? A. At times, not always.

Mr. Davison testified that J. P. Morgan & Co. had been the largest and the most successful in the world.

TO THE MEDITERRANEAN AND THE ORIENT

February 15 to April 27. 21 days, costing only \$400 and up.

can since November 1, 1912, had issued about \$55,000,000 of bonds and other securities.

Mr. Undermyer referred to a recent issue of \$67,000,000 by the American Telephone and Telegraph Company. He wanted to know what was left for that company to do except to give the issues to J. P. Morgan & Co. and bankers with whom they are associated under the present rule of banking ethics.

Could Go Elsewhere.

Q. What else was there left for them to do? A. They could go to many other houses.

Q. To whom? A. Brown Bros. There are ten houses in New York city that could get up a syndicate in twenty-four hours, irrespective of J. P. Morgan & Co., Kuhn, Loeb & Co., J. S. Morgan & Co. of London, Kidder, Peabody & Co. and others that you have mentioned.

Mr. Undermyer called upon the witness to name one issue of that magnitude that had been floated without resort to these big banking houses or without their cooperation. Mr. Davison mentioned a \$25,000,000 issue of Utah Security Corporation notes in 1912 which were brought out by the Electric Bond and Share Company and Hayden, Stone & Co.

Mr. Davison presented a list which showed that in the last five years there had been security issues of more than \$100,000,000, aggregating all told \$232,000,000, which had been brought out without the active participation of J. P. Morgan & Co. and the so-called banking houses that are supposed to cooperate with them. This list was in reply to Mr. Undermyer's contention that no issue of securities over \$10,000,000 had been floated in recent years without the aid of J. P. Morgan & Co. and the big banking houses that according to the party committee have a control of credit. Mr. Undermyer questioned the accuracy of this list, and inasmuch as Mr. Davison could not vouch for it it was withdrawn at his request from the record.

Willing to Publish Assets.

Mr. Davison saw no objection to compelling banks by law to make their assets public, but he did not favor the compulsory publicity of the record of stockholders.

Q. Are you a devotee of the principle that character is the thing that governs? A. I am.

Mr. Davison declined to condemn the idea of a holding company, and he could not see how a monopoly could be prevented on the part of three or four or half a dozen individuals if they accomplish it through their own ability and not through a holding company.

Q. As an economic question you do not believe that ought to be permitted? A. I have never known of any case of that kind that would not correct itself. If in practice it were wrong, it could not live.

Mr. Davison saw no necessity for a law to prevent this situation. He contended that a complete monopoly would break in the making. When questioned in regard to "trusts" Mr. Davison said: "If I think they are great blessings to the country."

Q. You think they still are a great blessing? A. Not as great as they were before they were disturbed.

Q. Do you think the disturbance has been unfortunate and that it should be stopped? A. I do not say unwarranted. I think it is unfortunate for the people of the entire world. I do not believe in monopoly. I do not believe in oppression, but it is not all clear, that you can say arbitrarily: "This is wrong and that is right." That is a matter that requires very grave and careful consideration.

Mr. Davison finally acknowledged that it was not wrong in his opinion for the courts to have interfered with the trusts if they were illegal and were violating the law.

"I think," he added, "it would have been better to have approached it the other way and to have corrected the law and to have established a supervision and control over them. You cannot say any more disintegrate those trusts in effect and fact than you can put this continent over the other side of the Pacific Ocean."

Q. Do you think they can ever be dissolved? A. I do not think they can.

Q. You believe, then, in a regulated monopoly? I do not believe in monopoly. I think there is a line.

Q. Who will determine it? A. The public. They will intimate to him.

He Prefers Regulation.

The witness acknowledged that he would rather have regulation and control than competition.

Mr. Davison testified that J. P. Morgan & Co.'s stock interest of \$16,000,000 in the National City Bank has been voted by the Grand Jury in the arson inquiry in the Criminal Court Building. It is expected that the indictments will be returned to-morrow before Judge Richard E. Burke.

Three indictments were voted against one adjuster, according to the report. The two other men were indicted on separate charges of being responsible for incendiary fires. The identity of the men indicted was not learned.

These indictments are the first resulting from a two weeks inquiry conducted by State Attorney Johnson.

When asked whether or not he was

in favor of further concentration of banking resources in this country, Mr. Davison replied that depended entirely upon the development of commerce and industry.

"I should say the bank facilities in New York are quite competent to take care of all business that comes to New York," he said.

Q. Would these resources give greater power in the hands of one man than if they were scattered? A. I think it is an undeniable fact that the more the resources of an individual increase the greater his power.

The committee did not finish with Mr. Davison and will examine him further to-morrow.

WM. ROCKEFELLER SAILS.

Leaves Palm Beach and Goes to Jekyll Island.

BRUNSWICK, Ga., Jan. 22.—William Rockefeller returned this afternoon to Jekyll Island on C. K. G. Billings's yacht. He was accompanied by his wife and son, William G. Rockefeller. The Rockefellers left Palm Beach last night in a special car.

Their special car reached Fernandina, Fla., this morning. The Billings yacht was in port